EL SALVADOR

TRADE SUMMARY

In 1999, the U.S. trade deficit with El Salvador was $85 million. U.S. merchandise exports to El Salvador were $1.5 billion in 1999, an increase of $5 million over 1998 levels. El Salvador was the forty-seventh largest U.S. export market in 1999. Imports from El Salvador were $1.6 billion in 1999, an increase of $167 million over 1998 imports.

The stock of U.S. foreign direct investment in El Salvador was $599 million at the end of 1999, an increase of approximately $380 million over 1998.

IMPORT POLICIES

Tariffs

El Salvador is a member of the Central American Common Market (CACM), which also includes Guatemala, Honduras, Nicaragua and Costa Rica. It is also an active member of the Central American Northern Triangle Subregional Group, formed by El Salvador, Guatemala and Honduras, which seeks to further economic, political and social integration in the region. The Northern Triangle countries hope to conclude a free trade agreement with Mexico during 2000. CACM members are working to reduce their common external tariff (CET) from the current range of zero to 20 percent to zero to 15 percent by the year 2000, while allowing each country to implement the necessary reductions at its own pace.

El Salvador completed its tariff reduction program in July 1999, on schedule. Tariffs on capital goods and raw materials currently range from zero to one percent. Tariffs on intermediate goods range from five to ten percent, and the highest duty for final goods is 15 percent. With the exception of a few products, most trade within the CACM is duty-free.

There are no legal barriers to U.S. exports of manufactured goods or bulk, non-agricultural commodities to El Salvador. Except for vehicles, alcoholic beverages, tobacco and certain luxury items, U.S. exports face tariffs ranging from zero to 15 percent.

STANDARDS, TESTING, LABELING AND CERTIFICATION

Generally, standards have not been a barrier to the importation of U.S. consumer-ready food products. The Ministry of Health requires a certificate of free sale showing that the product has been approved by U.S. health authorities for public sale. Importers also may be required to deliver samples for laboratory testing, though this requirement generally has not been enforced. All imports of fresh food, agricultural commodities, and live animals, coming from non-CACM countries, must be accompanied by a sanitary certificate. Basic grains and dairy products also must have an import license.

Non-Tariff Measures

Since 1992, the Ministry of Agriculture has imposed arbitrary sanitary measures on U.S. poultry imports. These sanitary restrictions call for zero tolerance or negative laboratory tests for diseases such as avian adenovirus, chicken anemia, and salmonella. These diseases, common worldwide, are not recognized as List "A" diseases by the International Office of Epizootics. Given the ubiquitous nature of salmonella throughout the world, it would be difficult for any established poultry-producing country to guarantee zero tolerance or negative lab tests on meat that has not been cooked or irradiated. These standards are applied in a discriminatory manner by El Salvador, since domestic production is not subject to the same requirements as imports. As a result of these measures, exports of U.S. poultry to El Salvador have virtually ceased. U.S. officials have met with Salvadoran officials since November 1992 to discuss this problem, with no success to date.

The Government of El Salvador requires that rice shipments be accompanied by a U.S. Department of Agriculture certificate stating that the rice is free of T. Barclayana. There is no chemical treatment that is both practical and effective against T. Barclayana. El Salvador failed to notify the WTO, under the Agreement on the Application of Sanitary and Phytosanitary Measures, of these restrictions and has no risk assessments upon which to base such restrictions.

GOVERNMENT PROCUREMENT

Government purchases and construction contracts are usually open to foreign bidders. Infrastructure projects, especially those financed by multilateral lending institutions, are open to international bidders. The Legislative Assembly is studying a new, more transparent procurement law. El Salvador is not a signatory of the WTO Agreement on Government Procurement.

EXPORT SUBSIDIES

El Salvador offers a six percent rebate to exporters of non-traditional goods based on the F.O.B. value of the export. The following products do not enjoy this rebate: coffee, sugar, cotton, and metal/mineral products. However, processed coffee can apply for the rebate, if it incorporates 30 percent national value added – for instance if it is shipped as "gourmet" or "organic" coffee. Sugar can apply if it is exported as refined sugar. Assembly plants (maquilas) are eligible if they meet the criteria of adding 30 percent El Salvadoran input to the production process. As they already enjoy a ten-year exemption from income tax and duty-free privileges, firms operating in free trade zones are not eligible to receive rebates. According to COEXPORT (the El Salvadoran Exporters Association), 550 of their more than 600 registered members received rebates in 1999. The Ministry of Finance is reported to have reimbursed $12 million to El Salvadoran exporters in rebates in 1999. Until 1997, the Government withheld 25 percent of export rebates to satisfy income tax obligations. In 1998, however, this withholding requirement was abolished.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

El Salvador's intellectual property protection law has been in effect since 1993. The Special Unit for the Monitoring of Intellectual Property Rights, created in the Attorney General's Office in 1996, has conducted raids and seizures of pirated shoes, clothing, books, music recordings, videos, pharmaceuticals, and software. El Salvador was removed from the Special 301 Watch List in July 1996.

Patents

The 1993 IPR law and El Salvador's acceptance of the disciplines in the WTO Agreement on the Trade-Related Aspects of Intellectual Property Rights (TRIPS) addressed several areas of weakness in the patent regime. The 1993 IPR law lengthened patent terms to 20 years from the application filing date. However, several provisions are not TRIPS-consistent. These include: only 15 years protection from the date of solicitation for pharmaceutical products and processes. The government is expected to introduce legislation to the Legislative Assembly in early 2000 that is designed to meet its TRIPS obligations.

Copyrights

Copyrights are protected by the 1993 IPR law. The Penal Code was amended that same year to provide for criminal penalties for copyright violations. El Salvador is a signatory of the Berne Convention. Losses from software piracy were estimated by the Business Software Alliance (BSA) at $10.5 million in 1998. Losses from video piracy were estimated by the International Intellectual Property Alliance (IIPA) at $2 million in 1998.

Trademarks

Trademarks are regulated by the Central American Convention for the Protection of Industrial Property. The National Registry has computerized and streamlined its trademark registration process, with users reporting improved service. El Salvador is a signatory of the Geneva Phonograms, Paris Industrial Property, and Berne Artistic and Library Work Conventions, but does not belong to the Plant Varieties (UPOV) or the Brussels Satellite Conventions.

SERVICES BARRIERS

A new modern banking law was enacted in 1999. Foreign banks operating in El Salvador are governed by the same requirements as El Salvadoran banks and can offer a full range of services. Rules governing the opening of foreign bank branches are clear and transparent. In October 1996, the Legislative Assembly passed legislation regulating the insurance sector. The law establishes minimum requirements for net worth and capital investments, provides for a separate supervisory function, and lays out a framework for competition and transparency.

In 1999, El Salvador notified the WTO of its acceptance of the Fifth Protocol to the General Agreement of Trade in Services (GATS), which was necessary to bring into effect its commitments under the 1997 Financial Services Agreement.

Foreign investors are limited to 49 percent equity stakes in television and radio broadcasting. Foreign lawyers must be graduates of a Salvadoran university and notaries must be Salvadoran citizens.